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Federal Communications Commission
Office of Secretary

February 7, 1997

VIA COURIER

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Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, D.C. 20554

Re: Comments of Telco Communications Group, Inc. on NYNEX's CEI
Plan CC Docket No. 96-128

Dear Mr. Caton:

Enclosed for filing please find an original and four (4) copies of the Comments of Telco Communications Group, Inc. on NYNEX's CEI Plan, CC Docket No. 96-128. Also enclosed is an extra copy to be stamped and returned.

Please direct any questions you may have regarding this filing to the undersigned of this office.

Respectfully submitted,



Dana Frix
Pamela Arluk

Its Counsel

cc: Attached Service List
Natalie Marine-Street

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**Before the
Federal Communications Commission
Washington, D.C. 20554**

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FEB 7 1997

**Federal Communications Commission
Office of Secretary**

In the Matter of)	
)	
Implementation of the Pay Telephone)	CC Docket No. 96-128
Reclassification and Compensation)	
Provisions of the Telecommunications)	
Act of 1996)	
)	
NYNEX Telephone Companies)	CC Docket No. 91-35
Offer of Comparably Efficient Interconnection)	
to Payphone Service Providers)	

**COMMENTS OF TELCO COMMUNICATIONS GROUP, INC.
ON NYNEX'S COMPARABLY EFFICIENT INTERCONNECTION PLAN**

Pursuant to the Commission's January 8, 1997 Public Notice in the above-referenced proceeding, Telco Communications Group and its subsidiaries (including Long Distance Wholesale Club, Inc. and its Dial & Save subsidiaries, collectively "Telco") hereby submit these comments on NYNEX's comparably efficient interconnection ("CEI") plan for the payphone service providers, which was required by the Payphone Order.¹

Telco is an interexchange carrier that derives the bulk of its revenue through casual calling, and has been ordered by the Commission to compensate payphone service providers during the interim compensation period specified in the Payphone Order. Telco's comments illustrate that

¹ Implementation of the Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996, CC Docket No. 96-128, *Report and Order*, (rel. Sept. 20, 1996) ("Payphone Order"), *Order on Reconsideration* (rel. Nov. 8, 1996) ("Reconsideration Order").

NYNEX's CEI plan should be rejected as unacceptably vague and that the Commission should prohibit NYNEX and other RBOCs from participating in the interim compensation scheme.

I. NYNEX's CEI Plan Lacks the Detail and Specificity Required by the Commission's Payphone Order

The Payphone Order outlines the elements required to be included in the RBOCs CEI plan.² The Commission required each RBOC to describe how it intends to comply with the CEI "equal access" parameters for the specific payphone service it intends to offer.³ In addition, the CEI plan must explain how it will unbundle basic payphone service.⁴ NYNEX's CEI plan is insufficient to satisfy these two elements because it lack any specificity -- merely stating that is will comply with the requirements, rather than explaining *how* it will comply.

For example, in complying with the CEI equal access parameter, NYNEX must explain how it intends to provide interface functionality, unbundling of basic services, resale, technical characteristics, installation, maintenance and repair, end user access, CEI availability, minimization of transport costs, and availability to all interested customers or enhanced service providers.⁵

With regard to interface functionality, NYNEX merely states that PSPs can interconnect to the telephone network through identical standard hardware and software interfaces and access arrangements associated with tariffed basic services.⁶ NYNEX provides no further explanation aor

² Payphone Order at paras. 203-207.

³ *Id.* at para. 203.

⁴ *Id.* at para. 204.

⁵ *Id.* at para. 203.

⁶ NYNEX CEI Plan at 5.

meaningful detail regarding the technical requirements a PSP must meet to connect to the network interfaces and provides absolutely no description of the interfaces.

With regard to its explanation of *how* it intends to provide unbundling of basic services, NYNEX offers a vague commitment to offer all basic services and functions *to the extent* that they are functionally useful to PSPs and end users. NYNEX states that such services are or will be under tariff. NYNEX never specifically addresses which services will be available to all PSPs; nor does it even commit to offering all possible services. Rather, NYNEX retains discretion in choosing which services are *functionally useful* to PSPs and end users. As a competitor, NYNEX should not retain such discretion, and should, as the Commission has ordered, explicitly state which services will be available to PSPs.

In describing resale, NYNEX simply states that its offering fully complies with the CEI parameter that requires that its offering take the same underlying basic services at unbundled tariff rates. To this statement, NYNEX only adds that it procures CEI elements at the same tariffed rates, terms and conditions as available to other PSPs. NYNEX fails to address *how* it will provide resale or specify what combinations will be offered for resale, whether resale will be offered on a nondiscriminatory basis, or what mechanisms will exist to enable competitors to ensure that resale obligations are being met.

Moreover, NYNEX's description of how it will provide installation, maintenance, and repair is unacceptably vague. NYNEX states that it "will" establish procedures and processes. At this juncture the Commission obligates NYNEX to specify those procedures and processes which NYNEX fails to do. NYNEX provides absolutely no explanation as to how installation orders will be precessed and how maintenance will be completed. NYNEX addresses the other elements of the

CEI equal access parameter requirement in the same vague manner and; therefore, fails to satisfy the Payphone Order. Given the absolute lack of detail, there can be no assurance that orders will, in fact, be processed in a manner consistent with CEI obligations.

Another area in which NYNEX's plan is patently deficient is in its explanation of nonstructural safeguards. NYNEX's plan only assures the Commission that it has and will continue to comply with existing and any revised nonstructural safeguards. Nonstructural safeguards include nondiscrimination, protection of customer proprietary network information ("CPNI"), allocation of joint and common costs and disclosure of network information. The Payphone Order requires the BOCs to explain *how* it will comply with the CPNI requirements. NYNEX merely states that it "will" establish compliance methods and procedures. Again, such a vague commitment fails to satisfy the Commission's order to explain how it will comply. For each nonstructural safeguard NYNEX promises to establish procedures or modify reports, but fails to provide any necessary detail on *how* it will meet the Commission's requirements.

The Commission must require NYNEX to amend its plan to provide significantly greater specificity on all of the issues. The Commission must not blindly accept vague representation that NYNEX will comply with all other required elements. The history of discrimination in the payphone industry warrants a meaningful evaluation of the CEI plan to ensure that NYNEX will indeed provide payphone services in a nondiscriminatory manner and consistent with other Computer III and Open Network Architecture ("ONA") requirements.

II. The Commission Should Prohibit NYNEX and Other RBOCs from Participating in the Interim Compensation Scheme

Apart from the numerous deficiencies in NYNEX's CEI plan, the Commission should refrain from allowing NYNEX or any RBOC to participate in the interim compensation scheme outlined in the Payphone Order. The Payphone Order provides that independent payphone owners are to receive \$45.85 per payphone per month and requires interexchange carriers with 1995 revenues in excess of \$100 Million to compensate payphone providers based on a percentage of their overall toll revenues.⁷ In its Reconsideration Order, the Commission implied that LECs might be eligible to receive this compensation upon elimination of subsidies and reclassification of payphone assets.⁸ In formulating this interim compensation scheme, however, the Commission failed to account for whether toll revenues have any relationship to a carrier's use of payphones. Thus, Telco (and possibly other interexchange carriers) is placed in a position of being required to compensate payphone providers during the interim period at a level much higher than (and unrelated to) its actual payphone use.

Telco derives the vast majority of its revenues through casual calling, which requires customers to dial one of Telco's five-digit carrier identification codes prior to placing direct dial long distance calls. To enable Telco to track and bill customers for direct dialed calls placed through these codes, when ordering originating access circuits from the LEC, Telco instructs the LEC to prohibit direct dialed 1+ or 0+ calls from payphones. It is, therefore, impossible for most customers to reach Telco's network through any payphone for direct dialed calls. In

⁷ Payphone Order at ¶ 125.

⁸ Reconsideration Order at ¶ 131.

addition, Telco does not heavily market other services that allow dial-around calls to be made from payphones, such as 800 services or calling card services. Consequently, Telco receives an extraordinarily small percentage of calls from payphones, compared to carriers like MCI and AT&T which market heavily to the dial-around market. For example, during the month of November 1996, Telco received approximately 16,777 calls from *all* payphones, including both LEC-owned payphones and independent payphones, out of a total of more than 29 million calls using Telco's network -- amounting to 0.057% (5 one-hundredths of one percent) of all calls received.⁹

The Payphone Order, however, requires Telco to pay payphone providers a flat rate of \$0.1467954 per payphone during this interim compensation period, regardless of whether Telco's use of payphone services warrant such compensation.¹⁰ To illustrate the inequity of the current situation, when Telco's flat rate of \$0.1467954 is multiplied by the approximately 350,000 independent payphones, Telco will be required to pay independent payphone providers approximately \$51,378.39 per month. However, when the number of *all* payphone calls (both LEC-owned and independent) Telco received in November is multiplied by \$0.35, Telco's obligation would be only approximately \$5,871.95. Accordingly, Telco is already paying over \$45,000 a month more than it should be paying considering its extremely limited use of payphone services.

⁹ This information was obtained by screening all November 1996 traffic on Information Digit "27," which is the industry standard to identify a call originating from a coin line.

¹⁰ See Payphone Order at Appendix F.

Including the LEC-owned payphones in this compensation scheme would further exacerbate the already unfair burden being placed on Telco. If the Commission allowed LEC-owned payphones to be compensated \$45.85 per month at the current interim compensation rate, Telco would be required to pay approximately an additional \$220,193.10 per month to compensate the 1.5 million LEC-owned payphones. Telco would, therefore, be compensating payphone owners \$271,571.49 a month. Divided by the 16,777 calls Telco received in November 1996, this means that Telco would pay more than \$16.00 per call received from a pay telephone. As noted above, if Telco was only required to compensate payphone providers based on the number of calls it receives, instead of a percentage of its toll revenues, Telco would only pay approximately \$5,871.95 per month, instead of \$271,571.49 a month -- a difference of over \$1.5 million for the period between April 15, 1997 and November 1, 1997.

This would result in a patently irrational and unconscionable scheme in which Telco would be compensating payphone owners thousands of times over for the amount of services it is actually using. Such a scheme plainly would be contrary to the public interest and would violate the underlying intent of the Telecommunications Act of 1996 requiring "fair" compensation for payphone providers. Pursuant to the Payphone Order, in November 1997, the interim compensation method will be replaced by a per-call method¹¹ in which carriers will pay payphone owners based on the number of calls they receive, rather than a portion of their toll revenues which, as illustrated by Telco, bear no reasonable relation to the number of payphone calls the carrier actually receives. Accordingly, RBOCs such as NYNEX should not be permitted to

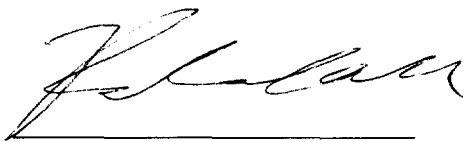
¹¹ Payphone Order at ¶ 99.

participate in the flat rate compensation scheme that already imposes an unfair burden on carriers such as Telco to compensate for payphone calls that are simply not being made.

CONCLUSION

The Commission should reject NYNEX's CEI plan as failing to provide sufficient specificity as to how it will comply with the elements required to provide payphone services in a nondiscriminatory manner and consistent with Computer III and ONA requirements. NYNEX must be required to refile its plan with greater detail and specificity. Moreover, the Commission should prohibit NYNEX and other RBOCs from participating in the interim compensation scheme specified by the Payphone Order as being contrary to the public interest and in violation of the underlying intent of the Telecommunications Act of 1996.

Respectfully submitted,



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February 7, 1997

CERTIFICATE OF SERVICE

I, Jeannine Allen, hereby certify that on this 7th day of February, 1997, copies of the foregoing **Comments of Telco Communications Group, Inc. on NYNEX Telephone Companies' CEI Plan, CC Docket No. 96-128**, were served on the following parties via first-class mail, postage prepaid (indicated by asterisk), or via hand-delivery.


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